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# **MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND (MERHCF)**

**Presented to:**

**Data Quality Management  
Conference**



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# What is it?

- Established by Congress (2001 NDAA) to provide *mandatory* funding for a health care entitlement (*Title 10, Subtitle A, Part II, Chapter 56, United States Code*)
- Covers certain Medicare-eligible DoD beneficiaries (*military retirees, retiree family members and survivors - not simply "over-65s"*)
- Pays for MTF care, purchased care and pharmacy

• Recognizes DoD's accrued and future liability for cost of retiree/survivor health

**Implemented 1 October 2002**



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# What is

# “accrual?”

**Accrual** is an accounting concept that recognizes the cost of a future liability that is earned now, but paid in the future, normally beyond the current accounting period (such as a Fiscal Year in the Federal Government); *health care is a retirement benefit that accrues with uniformed service.*

**The DoD Medicare Eligible Retiree Health Care Board of Actuaries** determines funding requirements based on actuarial analyses and assumptions, including population characteristics such as:

***Rates of retention to retirement eligibility,***



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# TFL/TSRx ≠ MERHCF



TRICARE for Life (TFL) – Age 65 or over, Medicare eligible, enrolled in Part B, not Active Duty

TRICARE Senior Pharmacy (TSRx) - Age 65 or over, Medicare eligible, enrolled in Part B (unless age 65 or older as of 1 April 2001), not Active Duty

MERHCF – Medicare eligible **retirees, retiree family members** and **survivors only**, regardless of age or Part B enrollment status

Other key differences include:

The MERHCF pays for Military Treatment Facility (MTF) care; TFL and TSRx do not

The MERHCF pays for Uniformed Services Family Health Plan (USFHP) costs; TFL and TSRx do not



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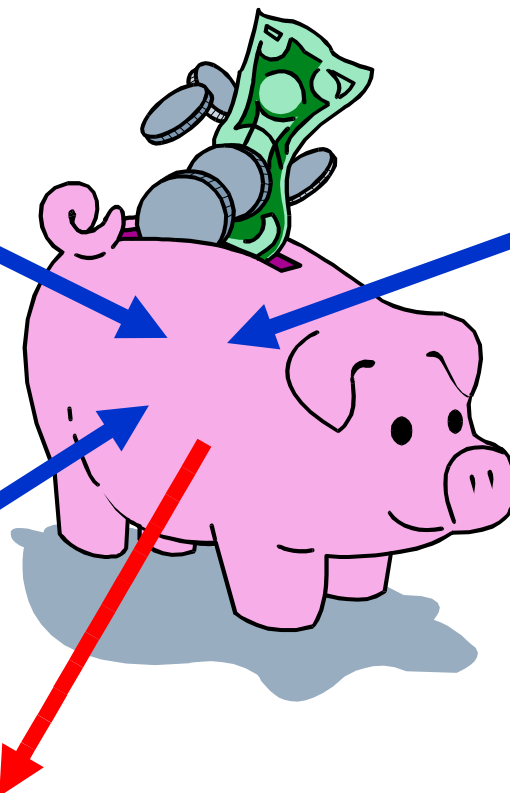
TRICARE Management Activity  
Resource Management Directorate

# Where will the money come from?

Dept of Treasury  
unfunded  
actuarial liability  
(UAL) - \$538B  
amortized over 50  
years (15.6B  
FY07)

Accrual  
fund  
investment  
earnings

Annual DoD actuarial  
"Normal Cost"  
contribution  
(\$11.2B FY07)



***FY07 Estimated  
Outlays \$7.7B***



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# Normal Cost Contribution

**FY07 per capita rate**

***Paid by Treasury on behalf  
of Service MILPERS  
accounts***

- **Full time \$504 per month (\$6,048 annually)**
- **Part time \$293 per month (\$3,516 annually)**

**Multiplied by annual budgeted Service  
end strength**

***FY07 actual total DoD contribution -  
\$11.2B***



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# Purchased Care



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**TRICARE for Life\*** - Medicare primary payor, TRICARE supplemental (last) payor (*must be enrolled in Medicare Part B*) plus TRICARE unique benefits (*OCONUS purchased care*)

**Managed Care Support (MCS) Contracts\*** - network at-risk costs (*under 65 Medicare eligibles - must be enrolled in Part B*)

**TRICARE Senior Pharmacy\*** - retail, TMOP costs (*must be enrolled in Part B, unless "grandfathered" - age 65 or older as of 1 April 2001*)

**US Funds flow:** Daily transactions  
enrollees x capitation rate  
against accrual fund for

**Simultaneous  
us**

Reconciliation 7



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# Direct (MTF) Care

Inpatient Care - Relative Weighted Products (RWPs) x MTF-specific rate  
*(Medical Expense and Performance Reporting System (MEPRS) cost/RWP)*

Outpatient Care - Ambulatory Patient Group (APG) weights x MTF-specific rate  
*(MEPRS cost/APG weight)*

Outpatient Pharmacy

*PDTS data captures  
vendor cost of  
pharmaceutical  
procurement*

“Ingredient cost” - purchase costs from  
*Pharmacy Data Transaction Service (PDTS)*

“Non-ingredient cost” - MTF-specific

*Move to market prices*





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# MTF Funds Flow



**Prospective/interim annual  
payment at beginning of FY  
(distributed quarterly)**

**Defense Health Program O&M**

***Fund > USD(C) > TMA > Services  
> MTFs***

**MILPERS**



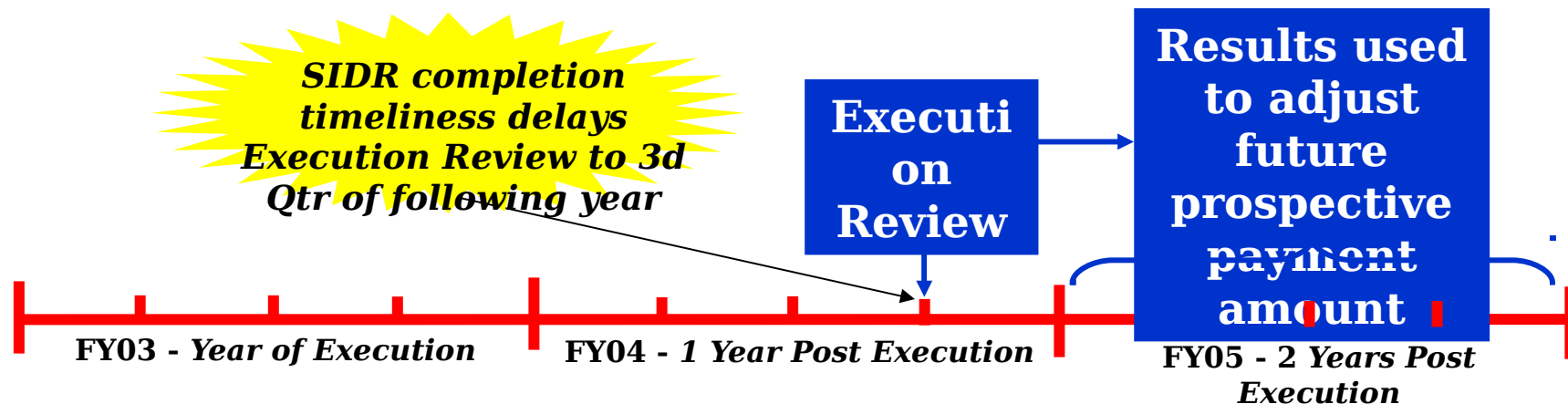
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# MTF



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## Reconciliation *The plan...*



**Use results of the Execution Review to adjust prospective payment amounts in the next available budget year under the PPBS cycle; do not transfer money to or from the fund based on execution year under/over execution**

***Provides stable business***



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# Management Controls

- Center for Medicare and Medicaid Services (CMS) Medicare eligibility data merged with Defense Enrollment Eligibility Reporting System (DEERS) (*system change request (SCR) added Medicare eligibility to Standard Inpatient Data Record (SIDR) and Standard Ambulatory Data Record (SADR)*)
- MTF earnings calculations automated based on SIDR/SADR weighted workload reported in MHS Data Repository (MDR); final results subject to Service and TMA review at reconciliation